

H&M poised to open giant Canal Walk store as it settles in for long haul after finding its feet

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14 Jul 2017

As consumer confidence plumbs depths not seen since 1982, Swedish fashion giant H&M is set to open a 4,600m, two-level temple to shopping in Canal Walk in November as part of six more store openings before year-end. That will take it to 17 stores in just two years' operation in SA. Business Day asked H&M South Africa country manager Pr Darj if the retailer is overextending itself.



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We're in 60 markets – we are able to turn things around if there is local difficulty. We have been amazed at the reception [in SA]. I think this is – only a short-term situation, this enables us to go on and [secure] stronger sites for the future: we're going to be here many years.

Is there a limit to the number of stores you are likely to open?

It all depends on how the market is growing, but from when we came here and looked at the market three or four years ago we established you are sixth-placed in the world in terms of square metres of shopping malls per inhabitants, which is a fantastic opportunity.

You recently posted sales growth [of 32%](#) since opening. Are those sales profitable?

When you open two big stores one year and six stores the next year you don't yet know what is newness or cannibalism. Every month we have new customers that are establishing what H&M is about and it takes a couple of years to reach all the customers. It's more to make sure that we are known, that we have well-run stores and that we are [sticking to] the boundaries that we have set.

Has it been a bit of a learning curve here?

On the positive side, when we launched all the concepts that we have - 25 smaller or bigger concepts within a store - we brought all of them and there's nothing that doesn't work. I was surprised because we always start with the full assortment and then we say, okay, perhaps men is not so strong, but all these things are actually working. It's also supposed to be a

red-tape country and tricky to get garments into the country but that has been working very well, better than we thought.

How do SA's textile import duties and a volatile, weak currency affect H&M as a relatively cheap proposition?

At around 45% it is the highest in the world for imports and that we have to live with, we can absorb that. Currencies go up and they go down and in the end we have to make sure that the price perception for the customer is very good. So fashion and quality, at the best price, in a sustainable way is our business model and that has to be the same in SA. If there is a short term [problem] with the currency, then we take it in our books. We can never lean on short-term currency [fluctuations] – then we'll lose the confidence of our customers.

Does it mean SA will be a less profitable destination because you have to absorb more in your margins to account for import duties and the currency?

It looks fine right now. We place the brand on the market at the cost we want to have for customers and then the other things will work as we go along.

Cos and & Other Stories are two higher-end brands in the H&M stable. Will you bring those to SA?

We think it is possible because the fashion interest in [this country] is amazing, but we have to look at consumer confidence. That has to turn up a little bit more because, as it is, [2017] and [2018] look as if it's diminishing, people are very unsure of how much money they have. But, eventually, I can't see any reason why we wouldn't be able to bring those two to our market here.

What are some of the factors that have made H&M such a global success?

Firstly, that we get new deliveries every day to our stores is very important. If you are constantly updating then you will have newness". Our buyers in the office in Sweden are very fashion forward and able to look ahead at what is coming, what is going to be commercial. It started 10, 15 years ago and gradually you grow into this - it doesn't happen overnight.

Any surprises?

We generally have a culture that is about empowering people to take responsibility and to internally recruit [staff] on their attitude, not on their knowledge or education and I'm amazed about all these guys and girls that we've employed, how many we are able to promote into management positions in the stores.

In the V&A in Cape Town on a Saturday we have between 10,000 and 11,000 customers coming in between 9am and 9pm. It's a lot and it's a tough job and still we are able to create a customer service level that is very good for our situation.

Source: *Business Day*

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